

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TENNESSEE
AT KNOXVILLE**

UNITED STATES OF AMERICA,

Plaintiff,

v.

**Contents up to \$13,595.48 from BitPay
Account Numbers 4179470003708205 and
4179470004143808 in the name of Scott Reed,**

Black Apple iPhone,

**HTC, Model: OP6B120 Rose colored cell
phone with black SUPCASE,**

Gold Apple, Model: A1522 iPhone,

**Gold Samsung, Model: SM-T713 Tablet,
SN: R25J1046Y2H,**

**Black Samsung, Model: SM-T713 Tablet,
SN: R25JC0QCPHK,**

**Asus, Model: GL502V Laptop, Black with
orange markings, SN: H3N0CV01497309A,**

**Black Acer, Model: VM6630G Computer
Tower, SN: DZVHGAA001343051409600,**

**Black Lenovo, Model: 0030US Computer
Tower, SN: 1S30A10030USMJ00L4CY,**

**Asus, Model Q524U Laptop Power cord,
SN: H2N0WU163500098,**

**Black HP, Model: AR5B125 Laptop, SN:
5CG3263JH8,**

Case No. 3:23-CV-147

Judges _____

Black Dell, Model Latitude 3440 Laptop,)
SN: BTQ9K52,)
)
Black Seagate, Model: SRD00F1 portable)
drive, SN: NA9BQ3QT,)
)
Black Seagate, Model: SRD00F1 portable)
drive, SN: NA792A0Z, and)
)
Seagate Computer Hard Drive, SN:)
Z1DCLZ15,)
)
Defendants.)

AFFIDAVIT IN SUPPORT OF VERIFIED COMPLAINT *IN REM*

I, Jason B. Brown, Resident Agent in Charge with the United States Secret Service being first duly sworn, hereby depose and state as follows:

INTRODUCTION

1. I am a Special Agent of the United States Secret Service (USSS) and have been employed since July 1999. I am a “federal law enforcement officer” within the meaning of Rule 41 of the Federal Rules of Criminal Procedure. My primary duties and responsibilities involve the protection of those as outlined in 18 U.S.C. § 3056 and the investigation of violations of federal law, including complex electronic and financial crimes as found in Title 18 United States Code, Sections 471, 472, 473, 474, 1028, 1028A, 1029, 1030, 1037, 1341, 1343, and 1344. I am currently assigned as the Resident Agent in Charge of the Knoxville Resident Office. During my tenure as a Special Agent, I have investigated complex computer and financial crimes including, but not limited to, access device fraud, identity theft, computer network intrusions, electronic mail fraud, wire fraud, bank fraud and the counterfeiting of US Currency. More specifically, I have conducted physical surveillance, assisted in the execution of search warrants, analyzed bank, phone, and internet records, performed stored electronic evidence seizure and analysis, and conducted arrests

of criminal subjects. I have also spoken to confidential human sources, suspects, defendants, witnesses, and other experienced investigators concerning the methods and practices of the criminal element. I have gained experience through training at the Federal Law Enforcement Training Center as well as the USSS James J. Rowley Training Center. This training pertaining to interviewing and interrogation techniques, arrest procedures, search and seizure, search and arrest warrant applications, forensic seizure and analysis of stored electronic evidence, methods used by fraudsters and various other crimes and investigative techniques. I have had the opportunity to supervise, lead, observe and review numerous investigations, to gain an understanding of the methods used by white collar criminals.

2. As a federal agent, I am authorized to investigate violation of laws of the United States and to execute warrants under the authority of the United States.

3. This affidavit is being prepared for the limited purpose of the Verified Complaint *in Rem* for the asset listed below and is not intended to include every fact observed by your affiant, other law enforcement officers, or known to the government. This affidavit is submitted with only those facts needed to support the Verified Complaint *in Rem*.

PURPOSE OF AFFIDAVIT

4. This Affidavit supports the civil forfeiture of contents up to \$13,595.48 from BitPay Account Numbers 4179470003708205 and 4179470004143808 in the name of Scott Reed, and various computers and computer equipment previously seized during the arrest of Scott Reed (“Reed”) on or about April 28, 2018.

5. The facts in this affidavit come from my personal observations, my review of records and documents, my training and experience and that of other agents, and information obtained from other agents, law enforcement officers and personnel, and witnesses.

STATUTORY VIOLATIONS

6. The property is derived from proceeds traceable to violations of specified unlawful activities, specifically, proceeds traceable to unauthorized access to a protected computer, in violation of 18 U.S.C. § 1030(a)(2)(A), and access device fraud, in violation of 18 U.S.C. § 1029(a)(2).

7. The United States of America seeks forfeiture of the defendant properties pursuant to 18 U.S.C. § 981(a)(1)(C), which authorizes forfeiture of any property, real or personal, which constitutes or is derived from proceeds traceable to a violation of 18 U.S.C. §§ 1029(a)(2) and 1030(a)(2)(A).

INVESTIGATION AND BACKGROUND

8. The USSS is engaged in an investigation of sophisticated unauthorized access to a protected computer and subsequent fraudulent use of stolen access devices by Scott K. Reed (REED).

9. On April 27, 2018, Lenoir City Police Department (LCPD) were called to the Wal-Mart located at 911 HWY 321 North in Lenoir City, Tennessee by store loss prevention due to REED and his minor daughter being engaged in access device fraud. During the LCPD investigation, items found in REED's possession were consistent with "card present" credit card fraud, including computers and other stored electronic media, magnetic strip readers/encoders, blank credit card stock, multiple debit/credit cards in various names, and multiple gift cards.

10. On April 28, 2018, REED was arrested on state charges in Case No. 20180411489 for three counts of identity theft, one count of criminal simulation, and three counts of possession of a controlled substance. In the interview by LCPD subsequent to his arrest, Reed explained that he previously worked as a Senior Software Engineer for a credit card point-of-sale provider based in Boca Raton, FL. REED was employed there from 2012 until early 2017, when he was fired and

moved to Tennessee. REED admitted that after his termination, he gained unauthorized access to his former employer's computer network. After gaining unauthorized access to their computer network, REED admitted that he created the username of "TSDEV" to establish continued access to their computer network for the purpose of stealing credit card track data. REED explained that he would then encode the stolen credit card track data to the magnetic strip of credit and debit cards in his possession. He and his daughter would then use those fraudulently obtained credit cards to purchase Apple iTunes and Google Wallet gift cards.

11. After purchase, REED admitted that he would sell those gift cards online at an illegal online marketplace on the Dark Web called "Dream Market". The Dark Web is a segment of the Internet that is only accessible by utilizing specific software (i.e., TOR browser) which enables both the websites and users to remain anonymous. It is regularly used to buy, sell, and distribute a wide range of illegal items including stolen financial information, narcotics, and child pornography. Instead of regular currency, Reed would receive BitCoin as payment which he in turn converted into U.S. Currency and deposit into his BitPay account. Bitcoins can be used for online transactions between individuals. Bitcoins can be used for online transactions between individuals. BitCoins can also be converted into U.S. Currency through third party exchangers. Ultimately, REED would have access to these illegally obtained funds at any local bank via his BitPay debit card.

12. At the conclusion of this interview, REED provided written consent to search his residence located at 562 English Village Way, Apt. 1102, Knoxville, TN. With the assistance of the USSS, LCPD performed the consent search of REED's residence later on this same date. During that search, items were recovered consistent with the production of fake credit/debit and identification cards to include computers, a hard drive, identification card printer, point of sale merchant test suite, point of sale device, receipt paper, card programmer, blank credit card stock,

black identification card stock, fraudulent identification document holograms, and other various items.

13. On May 3, 2018, a search warrant was authorized by U.S. Magistrate Judge H. Bruce Guyton to analyze the stored electronic media held in this investigation. The results of that search warrant included tens of thousands of stolen access devices as well as online chats between REED and his daughter regarding the illegal and fraudulent use of those access devices. Below are some excerpts of those conversations.

- a. 10/18/17 4:46:19PM “This way we can focus on traveling across the U.S. and making as much \$ as possible as quickly as possible via gift card shopping.”
- b. 10/18/17 4:47:22PM “Before all credit cards have chips and / or Walmart turns off gift card checkout.”
- c. 10/19/17 11:24:46AM “Sold last nights cards for \$660”
- d. 11/08/17 6:17:42PM “When transaction is done, we’ll have gotten \$940 for 28 cards”
- e. 11/08/17 6:18:26PM “Looks like it now takes min of 30 cards to make \$1k”
- f. 11/20/17 7:30:45PM “Sorry just need a few more minutes then I’ll be ready. I re-encoded ~20 more cards at least”

14. The subject BitPay accounts 4179470003708205 and 4179470004143808 were discovered by LCPD when a BitPay VISA card was in Reed’s possession at the time of his arrest.

- a. After email discussions with FirstView Financial (the administrators of the BitPay credit card) USSS was notified that they maintained two accounts belonging to Reed. The accounts were voluntarily frozen on 04/30/18.
- b. BitPay funds were last confirmed as intact and ready to be seized via email and telephone discussions on 04/14/23.

15. The USSS and the United States Attorney's Office for the Eastern District of Tennessee contemplated presentment of an Indictment to the grand jury. However, on February 8, 2023, REED passed away at Fort Sanders Regional Medical Center.

CONCLUSION

17. Based on the facts above, I respectfully submit that there is probable cause to believe that REED has committed violations of 18 U.S.C. § 1029(a)(2) and 18 U.S.C. § 1030(a)(2)(A) sophisticated unauthorized access to a protected computer and subsequent fraudulent use of stolen access devices to include computer fraud in violation of federal law. The property is subject to civil forfeiture in accordance with 18 U.S.C. § 981(a)(1)(C).

FURTHER AFFIANT SAYETH NAUGHT.



Jason B. Brown
Resident Agent in Charge
United States Secret Service

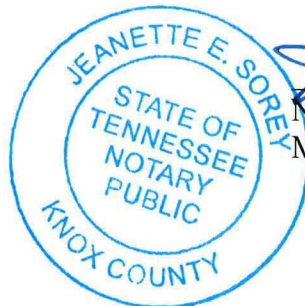
STATE OF TENNESSEE


COUNTY OF KNOX

On this 27th day of April, 2023, before me, personally appeared Jason B. Brown, in his capacity as a Special Agent with the United States Secret Service, known to be the person described herein and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN WITNESS WHEREOF I have hereunto set my hand and Notarial Seal.

Subscribed to and sworn before me on this the 27th day of April, 2023.





Notary Public
My Commission Expires: 03/07/2026